

Who Got the Money?

By MARQUIS JAMES

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(Continued from last week)

This increase was sorely needed and it is not half enough. The section now has 150,000 contracts in hand, which is not all it hopes to have by any means. It took two years to audit 15,000 of these, selecting generally simpler and smaller contracts. At this rate it would require 20 years to finish the job. At the pace the section is going now, though it has only 14 years of work ahead of it. Doubling the force might cut this into seven years. But if we wait that long legislation will be necessary to lift the statutes of limitation or debtors will go free of payment and crooks free of jail. The principal Air Service contracts are not in the hands of the section, though a concerted move is gathering to place them there. At present they are being checked by auditors in the Air Service. It is urged that the audit section, which was not concerned with the making of any contracts, should take over the Air Service transactions as well as all records of the liquidation period during which the government's losses were greatest. With this additional work coming on the budget allowed the section leaves much to be desired.

In addition to recovering millions for the Treasury the contract audit section's work throws a penetrating light in the situation which surrounded Uncle Sam, the world's greatest, richest and easiest customer, when he strode into the markets of his citizens and spent fifteen billion dollars. It was not an idle shopping tour. It was a buying expedition forced by war, a war which meant life or death, a war which victory alone could stand between the keepers of those marts and ruin at the hands of a German indemnity collector. One would think that common decency, and if not that the instinct of self preservation, would have prompted those who sold war materials to ask a fair price and nothing more. Such was not the case—and to what extent the findings of the contract audit section is evidence that requires no interpretation. The government paid extortionate prices and the contractors reaped exorbitant profits, as everyone knows and that was bad enough. But now we learn that on top of that, either by accident or by design, Uncle Sam was mulcted for many millions more. Several thousand contracts, closed and settled, are reopened as if by chance, and \$16,000,000 is found to be due the government. Pick up almost any contract almost anywhere, shake it and the money rolls out—the public's money.

"The findings of the contract audit section," said Congressman Roy O. Woodruff of Michigan in a speech in the House, "form a positive and tangible basis for action by the Department of Justice." This statement has been borne out by the subsequent indictments in the lumber and Old Hickory powder plant sale cases on evidence produced by the contract audit section. Mr. Woodruff went on to predict that there ultimately would be recovered by the army auditors "\$750,000,000 which was wrongfully and fraudulently taken from the government by those war contractors whose operations have, incident to the audit of their contracts, indicated unmistakable criminal dishonesty."

A few typical cases handled by the contract audit section will disclose the nature of some of the revelations that are being made almost daily. Names of firms are not given because the collections have not been made.

A manufacturer had two contracts for the same product. In one contract he was to use government material, in the other contract his own material. He used government material in both contracts, pocketing the difference of \$700,000. The case is now a subject for correspondence between the audit section and the contractor.

A contractor purchasing supplies and delivering them on his own contracts with the government was reimbursed on the basis of certificates made by the government inspector at the point of purchase. The contractor substituted forged certificates for the original ones thereby increasing the amount paid him by the government.

A contractor drew large quantities of material from the government to be accounted for in finished products. An audit revealed \$1,371,368 worth not accounted for. The case is being prepared for transmittal to Department of Justice.

A contractor manufactured copper shell bands from government material. The contract provided for all scrap should be the contractor's

property. The contractor adopted a novel method of manufacture. He rolled the metal into sheets and punched out the circular bands like doughnuts. Each sheet yielded more scrap than it did metal for the bands.

A contractor who had been furnished with material for use on a contract had a surplus on hand when the contract was completed. He sold the government its own material for a good stiff price and then purchased it back for a figure considerably less, thus getting the material for nothing and a good little nest-egg besides.

The Story of the Cantonments

So much for a few contracts that have come to the notice of the army auditors. Let us now look at a few other contracts which have not as yet been favored with the attentions of this clean-up squad. Let us first turn to a group of contracts with whose results every soldier and nearly every citizen is familiar—the sixteen great cantonments in which the national army was mobilized and trained. These cantonments cost \$206,632,920, which figure has been subject to most searching investigation by the House committee on war expenditures headed by Representative William J. Graham of Illinois. The evidence fills thousands of closely printed pages, and concludes with the finding that waste, extravagance and graft in the construction of these cantonments have robbed the taxpayers of the United States of \$78,500,000, or an average of close to \$5,000,000 per cantonment. In other words, what the committee figures the sixteen camps should have cost is in the neighborhood of \$128,100,000.

Before we touch on the details of some of the cantonment, powder, nitrate, ammunition and other contracts, it may be worth while to sketch in a word the means by which the various industries were able to run "corners" on their particular commodities and activities when Uncle Sam entered the market as the world's greatest customer. When the war came the cabinet was designated as the Council of National Defense, and under it operated a large advisory commission which was charged with establishing contact with the various industries. The leaders of all lines were approached. These industries had powerful and compact organizations and their job was to sell. The government had no such organization, and in the stress of war was able to form only the merest makeshift; and the government's job was to buy. Hence the advantage was with the seller with his vastly superior organization, and close groups of lumbermen controlled the lumber problems, construction men the construction problems, steel corporations the steel problems; powder plants powder, meat packers meat, leather dealers leather, and so on. Competition gave away to the closest combination, directly contrary to the legal economic policy of the United States since the enactment of the first of the anti-trust laws in 1890. An unorganized and unprepared government stood at the mercy of an organized and prepared series of industrial groups; a war was on, we had to take what we could get; there was no way out—and there you are.

While official criticism has been visited upon those in the government service who handled the cantonment construction, which the Graham committee says cost the government \$78,500,000 more than it should have, whatever the waste, whatever the extravagances and fraud, whatever the unreasonable concessions wrong from the United States by an organized industry, in this instance the fact remains that with some few exceptions the camps were built and built on time. If as much could be said for some of the other war efforts these pages would tell a different story, perhaps. The draft law was enacted in May, 1917, and the government's camp committee went to work. It spent \$296,000,000, and the Graham investigators says this \$78,500,000 too much. Nevertheless when the first of September rolled around there stood the camps and the new army had a place to sleep. It was the same army, let it be said, that fought in France without an American fighting plane over its head, though a billion dollars was spent to provide such planes; the same army that advanced to battle under barrages of allied shells fired from allied guns though the Liberty bond buyers gave up three-quarters of a billion dollars to the shell makers and half a billion to the gun manufacturers.

(Continued next week)

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